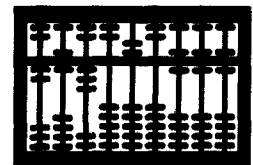


**LANGFORD SCHOOL DISTRICT NO. 45-2
LANGFORD, SOUTH DAKOTA**

**FINANCIAL REPORT
FOR THE TWO YEARS ENDED JUNE 30, 2005**

Guthmiller Accounting Ltd.

Certified Public Accountants



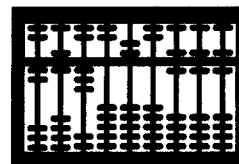
613 8th Avenue NW
Aberdeen, SD 57401
(605) 225-7279

LANGFORD SCHOOL DISTRICT NO 45-2
MARSHALL COUNTY, SOUTH DAKOTA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

School Board
Langford School District No. 45-2
Marshall County, South Dakota

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Langford School District No. 45-2, Marshall County, South Dakota, as of June 30, 2004 and 2005, and for each of the years then ended which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 17, 2006, which was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we discussed with the management of the School District on January 17, 2006.

Compliance

As part of obtaining reasonable assurance about whether Langford School District's financial

statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of prior and current audit findings as Finding 2005-01. We also noted certain additional matters that we have discussed with the management of the School District on January 17, 2006.

This report is intended solely for the information and use of the South Dakota Legislature, the governing board and management of the Langford School District No. 45-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.


Guthmiller Accounting Ltd.

January 17, 2006

**LANGFORD SCHOOL DISTRICT NO. 45-2
MARSHALL COUNTY, SOUTH DAKOTA
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2005**

PRIOR AUDIT FINDINGS:

The prior audit report contained no written audit comments.

CURRENT AUDIT FINDINGS:

FINDING 2005-01:

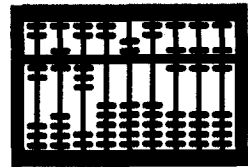
The School District did not advertise for competitive bids for their pop contracts which amounted to more than \$15,000 each year. Which is in violation of SDCL 5-18-18.3.

RECOMMENDATION:

We would recommend that the School District advertise for competitive bids. It was noted that they received competitive bids from the two main competitors but they did not advertise for such bids.

Guthmiller Accounting Ltd.

Certified Public Accountants



613 8th Avenue NW
Aberdeen, SD 57401
(605) 225-7279

INDEPENDENT AUDITOR'S REPORT

School Board
Langford School District No. 45-2
Marshall County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Langford School District No. 45-2, Marshall County, South Dakota, as of June 30, 2005, and 2004 and for each of the years then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Langford School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Langford School District No. 45-2 as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1.b., the School District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of July 1, 2003. Accordingly, a comparison of the accompanying financial statements to financial statements presented in prior years is not recommended.

In accordance with *Government Auditing Standards*, we have also issued our report dated January

17, 2006 on our consideration of Langford School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and, should be considered in assessing the results of our audit.

The MD&A on pages 6 through 15 and 27 through 36 and Budgetary Comparison Schedules on pages 65 through 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Guthmiller Accounting, Ltd." in a cursive script.

Guthmiller Accounting Ltd.

January 17, 2006

**LANGFORD SCHOOL DISTRICT 45-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR END JUNE 30, 2005**

This section of Langford School District 45-2's financial report presents our discussion and analysis of the School's performance during the fiscal year ended on June 30, 2005. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ The School's net assets from government and business-type activities increased approximately \$119,402 due to an increase in cash assets.
- ❑ During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$119,402 more than the \$1,789,127 governmental and business-type program expenditures.
- ❑ The total cost of the School's programs increased by approximately 4% which was primarily due to controlling operating expenses.
- ❑ The General Fund reported a \$70,000 current year deficit due to actual expenditures exceeding revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- ❑ The first two statements are government-wide statements that provide both long-term and short-term information about the School's overall financial status.
- ❑ The remaining statements are fund financial statements that focus on individual parts of the School government, reporting School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1

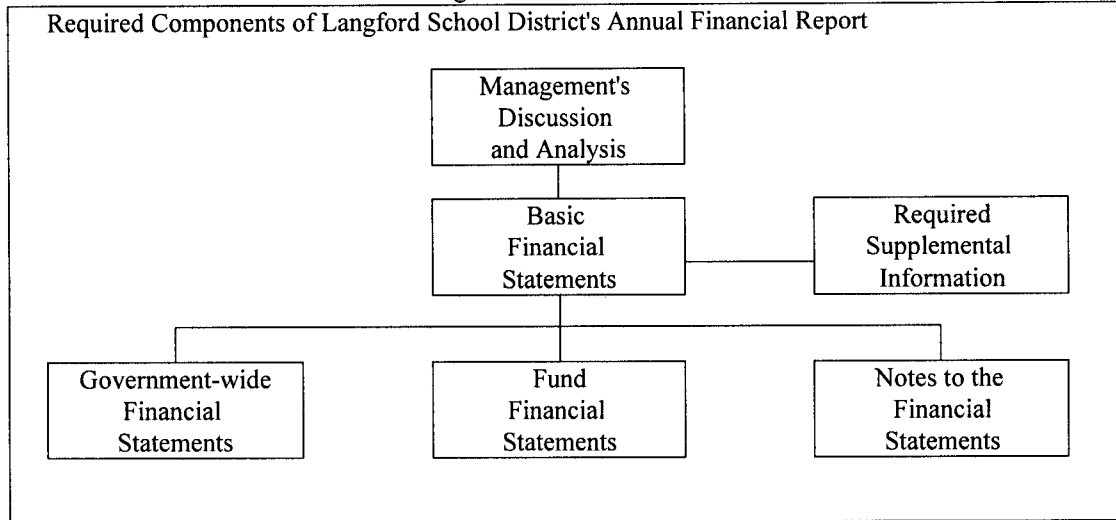


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Langford School District's Government-wide and Fund Financial Statements

	Government-Wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire School government except fiduciary funds	Activities of the School that are not proprietary or fiduciary, such as elementary & high school education programs	Activities the School operates similar to private purpose businesses. Food Service	Instances in which the School is the trustee or agent for someone else's resources
Required Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures & changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses & Changes in Net Assets	*Statements of Fiduciary Net Assets *Statements of Changes in Fiduciary Net Assets

Accounting Basis and Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting & current financial resources focus	Accrual accounting & economic resource focus	Accrual accounting & economic resource focus
Type of Asset/Liability Information	All assets & liabilities, both financial and capital, & short term & long term	Only assets expected to use up liabilities that come due during the year or soon thereafter No capital assets included	All assets & liabilities both financial & capital, & short-term & long-term	All assets & liabilities both short-term & long-term; the funds do not currently contain capital assets although they can
Type of Inflow and Outflow Information	All revenues & expenses during the year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year; expenditures or services have been received & payment is due during the year or soon thereafter	All revenues & expenses during the year, regardless of when cash is received or paid	All revenues & expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – is one way to measure the school's financial health or position.

- ☐ Increases or decreases in the school's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ☐ To assess the overall health of the school you need to consider additional non-financial factors such as changes in the school's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the school are reported in two categories:

- ☐ **Governmental Activities** – This category includes the school's basic instructional services,

such as elementary and high school educational programs, support services (executive administration, board of education, fiscal services, etc.) debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these programs.

- ☐ Business-type activities – The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the school.

Fund Financial Statements

The fund financial statements provide information about the school's most significant funds – not the school as a whole. Funds are accounting devices that the school uses to keep track of specific sources of funding and spending for particular purposes.

- ☐ State law requires some of the funds.
- ☐ The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The school has three kinds of funds:

- ☐ Governmental Funds – Most of the school's services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statement provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- ☐ Proprietary Funds – Services for which the school charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the school.
- ☐ Fiduciary Funds – The school is the trustee, or fiduciary, for various external and internal parties. The school is responsible for insuring that the assets reported in these funds are used for their intended purposes. All of the school's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the school's government-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The school's combined net assets increased as follows:

<p style="text-align: center;">Table A-1 Langford School District 45-2 Statement of Net Assets</p>						
	Governmental Activities		Business-Type Activities		Total	
	6/30/04	6/30/05	6/30/04	6/30/05	6/30/04	6/30/05
Current & Other Assets	1,633,318	1,697,331	11,405	11,352	1,644,723	1,708,683
Capital Assets	2,068,096	2,070,730	4,080	3,504	2,072,176	2,074,234
Total Assets	3,701,414	3,768,061	15,485	14,856	3,716,899	3,782,917
Long-Term Debt Outstanding	1,144,419	1,080,000			1,144,419	1,080,000
Other Liabilities	148,016	158,727		324	148,016	159,051
Total Liabilities	1,292,435	1,238,727		324	1,292,435	1,239,051
Net Assets:						
Invested in Capital Assets Net of Related Debt	933,096	990,730	4,080	3,504	937,176	994,234
Restricted	10,000	10,000			10,000	10,000
Unrestricted	1,465,883	1,528,604	11,405	11,028	1,477,288	1,539,632
Total Net Assets	2,408,979	2,529,334	15,485	14,532	2,424,464	2,543,866
Beginning Net Assets	2,176,563	2,408,979	11,065	15,485	2,187,628	2,424,464
Increase in Net Assets	232,416	120,355	4,420	(953)	236,836	119,402
Percentage of Increase in Net Assets for 2004	11%	5%	40%	-6%	11%	5%

This section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisted of early retirement benefits payable and general obligation bonds payable, have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

Changes in Net Assets

The school's total revenues (excluding special items) totaled \$1,908,530, an increase of 2% over the prior year. (See Table A-2). Approximately one-half of the schools revenue comes from property and other taxes, with another third coming from state aid. (See Figure A-3).

The total cost of all programs and services increased by about 4% over the prior year. The school's expenses cover a range of services, encompassing instruction, support services and food services.

□ Langford School District 45-2 Functional Expense Breakdown for Fiscal Year 2004

○ Instruction	53 %
○ Support Services	36 %
○ Debt Services	2 %
○ Co-curricular Activities	4 %
○ Food Service	5 %

□ Langford School District 45-2 Sources of Revenues Breakdown for Fiscal Year 2004

○ Federal Sources	1 %
○ State Sources	37 %
○ Taxes	48 %
○ Program Grants	8 %
○ Charges for Services	3 %
○ Miscellaneous	2 %
○ Unrestricted Investment Earnings	1 %

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Table A-2
Changes in Net Assets

	Total Governmental Activities 2004	Total Governmental Activities 2005	Total Business- Type Activities 2004	Total Business- Type Activities 2005	Total 2004	Total 2005
Revenues						
Program Revenues						
Charges for Services	15,391	21,666	36,423	41,663	51,814	63,329

Operating Grants & Contributions	117,616	112,383	40,422	38,027	158,038	150,410
General Revenues						
Taxes	937,148	914,086			937,148	914,086
State Sources	701,364	696,573			701,364	696,573
Federal Sources	11,747	24,859			11,747	24,859
Local Sources	18,664	39,625			18,664	39,625
Unrestricted Investment Earnings	7,766	19,648			7,766	19,648
Total Revenues	<u>1,809,696</u>	<u>1,828,840</u>	<u>76,845</u>	<u>79,690</u>	<u>1,886,541</u>	<u>1,908,530</u>
Expenses						
Instruction	998,165	952,192			998,165	952,192
Support Services	527,451	640,327			527,451	640,327
Nonprogrammed Charges		525			0	525
Debt Service	58,238	40,123			58,238	40,123
Cocurricular Activities	58,374	75,318			58,374	75,318
Food Service			72,425	80,643	72,425	80,643
Total Expenses	<u>1,642,228</u>	<u>1,708,485</u>	<u>72,425</u>	<u>80,643</u>	<u>1,714,653</u>	<u>1,789,128</u>
Excess Before Special Items	167,468	120,355	4,420	(953)	171,888	119,402
Special Items	64,948				64,948	
Increase in Net Assets	<u>232,416</u>	<u>120,355</u>	<u>4,420</u>	<u>(953)</u>	<u>236,836</u>	<u>119,402</u>

BUSINESS-TYPE ACTIVITIES

Revenues of the school's business-type activities increased approximately 4% to \$79,690 and expenses increased by 11%. Factors contributing to these results included:

- ☐ There was an increase in the number of meals served during the school year. This resulted in an increase in the revenues.
- ☐ The per meal prices remained the same however the rate of federal reimbursement for free and reduced meals increased.
- ☐ The primary reason for the increase in expenses was due to normal increase in food costs and in salaries and wages.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General, Capital Outlay, Special Education and Pension Funds had the following changes in fund balance for the year:

<input type="checkbox"/>	General Fund	\$	70,213 decrease
<input type="checkbox"/>	Capital Outlay	\$	72,771 increase
<input type="checkbox"/>	Special Education	\$	4,994 increase
<input type="checkbox"/>	Pension Fund	\$	23,230 increase
<input type="checkbox"/>	Bond Redemption	\$	19,432 increase

The decrease in fund balance in the General Fund resulted from operating expenditures being greater than revenues. The increase in fund balances in the capital outlay and pension funds will be needed in future periods for the payment of a planned heating system upgrade in the gymnasium building for early retirement claims and the school's employer retirement match respectively. The increase in the fund balance in the bond redemption fund will be used to retire debt in the future.

BUDGETARY HIGHLIGHTS

The School Board revised the school budget at the end of the school year. These amendments fall into two categories.

- ☐ Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- ☐ Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes or budget variances for the year.

CAPITAL ASSET ADMINISTRATION

By the end of 2005, the school had invested \$2,074,234 in a broad range of capital assets, including land, buildings, various machinery and equipment. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$2,058 from the prior year.

Table A-3
Langford School District 45-2 – Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities	
	2004	2005	2004	2005
Land	9,003	9,003		
Buildings	1,741,848	1,758,313		
Machinery & Equipment	229,259	223,550	4,080	3,504
Improvements	28,461	25,889		

Library Media	59,525	53,975		
Total Capital Assets(Net)	2,068,096	2,070,730	4,080	3,504

This years capital asset purchases were primarily \$63,400 for a gymnasium hardwood floor and \$12,600 for a gymnasium sound system.

The school's fiscal year 2006 capital budget projects spending \$202,000 on a geothermal heating/cooling system upgrade in the 1977 gymnasium, approximately \$30,000 on plant repairs, \$25,000 for lab computers and \$20,000 for a school vehicle. The school has no plans to issue additional debt to finance these improvements. The school will use unreserved fund balance on hand in the capital outlay fund.

LONG-TERM DEBT

At the year end the school had \$1,080,000 in outstanding bonds. This is a decrease of 6% as shown on table A-4 below. The school has no current plans to issue any additional long-term debt.

Table A-4
Langford School District 45-2 – Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percent Change
	2004	2005	2004	2005	2004-2005	2004-2005
Early Retirement	9,419	0			(9,419)	-100%
Bonds	1,135,000	1,080,000			(55,000)	-5%
Total Outstanding Debt Obligations	<u>1,144,419</u>	<u>1,080,000</u>			<u>(64,419)</u>	<u>-6%</u>

The school maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive \$17,500.00 over three years. This plan allows the school to reduce the overall program cost by hiring lower paid personnel to replace higher paid personnel.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The school's current economic position has shown little change. The school did experience an increase in total valuation of \$6,482,824 or 5% from the prior year. The increase in property valuation allows the school the ability to increase the amount of revenue generated from property taxes however the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the school is based on a per student allocation they receive from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4160 per pupil. The allocation for the next year has been increased by \$78

per pupil, and the school has experienced a increase of 8 students average daily membership (ADM) for next years state aid. This will result in the school receiving approximately \$56,000 more overall revenue from the State of South Dakota.

The school's enrollment for the last five years has been as follows:

<u>Year</u>	<u>ADM</u>
2001	246
2002	246
2003	240
2004	231
2005	239

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Langford School's Business Office, 206 Chestnut Street, PO Box 127, Langford, South Dakota 57454-0127.

LANGFORD SCHOOL DISTRICT 45-2
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,191,037.13	\$ 7,274.20	\$ 1,198,311.33
Taxes Receivable	456,399.48		456,399.48
Internal Balances	214.76	(214.76)	0.00
Inventories		4,292.56	4,292.56
Other Assets	49,679.68		49,679.68
Capital Assets:			
Land	9,003.00		9,003.00
Other Capital Assets, Net of Accumulated Depreciation	2,061,727.08	3,504.37	2,065,231.45
TOTAL ASSETS	<u>3,768,061.13</u>	<u>14,856.37</u>	<u>3,782,917.50</u>
LIABILITIES:			
Accounts Payable	1,577.27	324.49	1,901.76
Other Current Liabilities	157,150.16		157,150.16
Noncurrent Liabilities:			
Due Within One Year	65,000.00		65,000.00
Due in More than One Year	1,015,000.00		1,015,000.00
TOTAL LIABILITIES	<u>1,238,727.43</u>	<u>324.49</u>	<u>1,239,051.92</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	990,730.08	3,504.37	994,234.45
Restricted for:			
Capital Outlay Expenses	515,909.02		515,909.02
Special Education Expenses	155,263.10		155,263.10
Pension Expenses	102,943.10		102,943.10
Debt Service	166,871.55		166,871.55
Food Service Expenses		11,027.51	11,027.51
Unrestricted	597,616.85		597,616.85
TOTAL NET ASSETS	<u>2,529,333.70</u>	<u>14,531.88</u>	<u>2,543,865.58</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,768,061.13</u>	<u>\$ 14,856.37</u>	<u>\$ 3,782,917.50</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Government Activities:						
Instruction	\$ 952,192.19	\$ 1,840.00	\$ 112,382.59	\$ (837,969.60)		\$ (837,969.60)
Support Services	640,326.84			(640,326.84)		(640,326.84)
Nonprogrammed Charges	524.68			(524.68)		(524.68)
*Interest on Long-term Debt	40,122.49			(40,122.49)		(40,122.49)
Cocurricular Activities	75,318.35	19,825.97		(55,492.38)		(55,492.38)
Total Governmental Activities	<u>1,708,484.55</u>	<u>21,665.97</u>	<u>112,382.59</u>	<u>(1,574,435.99)</u>		<u>(1,574,435.99)</u>
Business-type Activities:						
Food Service	80,642.84	41,663.23	38,026.88		\$ (952.73)	(952.73)
Total Primary Government	<u>\$ 1,789,127.39</u>	<u>\$ 63,329.20</u>	<u>\$ 150,409.47</u>	<u>\$ (1,574,435.99)</u>	<u>\$ (952.73)</u>	<u>\$ (1,575,388.72)</u>
		General Revenues:				
		Taxes:				
		Property Taxes				
				\$ 875,856.21		\$ 875,856.21
		Gross Receipts Taxes				
				38,229.97		38,229.97
		Revenue from State Sources:				
		State Aid				
				696,572.75		696,572.75
		Revenue from Federal Sources				
				24,859.06		24,859.06
		Unrestricted Investment Earnings				
				19,647.73		19,647.73
		Other General Revenues				
				39,625.02		39,625.02
		Total General Revenues and Special Items				
				<u>1,694,790.74</u>	<u>0.00</u>	<u>1,694,790.74</u>
		Change in Net Assets				
				120,354.75	(952.73)	119,402.02
		Net Assets-Beginning				
				2,408,978.95	15,484.61	2,424,463.56
		NET ASSETS-ENDING				
				<u>\$ 2,529,333.70</u>	<u>\$ 14,531.88</u>	<u>\$ 2,543,865.58</u>

* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 452,970.02	\$ 418,431.57	\$ 125,990.81	\$ 85,822.23	\$ 107,822.50	\$ 1,191,037.13
Taxes Receivable--Current	240,259.72	97,252.53	43,119.26	17,120.87	58,327.88	456,080.26
Taxes Receivable--Delinquent	(530.07)	224.92	16.01		608.36	319.22
Accounts Receivable, Net	(801.32)					(801.32)
Due from Enterprise Fund	214.76					214.76
Due from Other Governments	48,113.40					48,113.40
Interest Receivable on Investments and Deposits	2,254.79				112.81	2,367.60
TOTAL ASSETS	<u>742,481.30</u>	<u>515,909.02</u>	<u>169,126.08</u>	<u>102,943.10</u>	<u>166,871.55</u>	<u>1,697,331.05</u>
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts Payable	1,577.27					1,577.27
Contracts Payable	114,607.02		11,060.58			125,667.60
Payroll Deductions and Withholdings and Employer Matching Payable	28,680.16		2,802.40			31,482.56
Deferred Revenue	239,729.65	97,477.45	43,135.27	17,120.87	58,936.24	456,399.48
TOTAL LIABILITIES	<u>384,594.10</u>	<u>97,477.45</u>	<u>56,998.25</u>	<u>17,120.87</u>	<u>58,936.24</u>	<u>615,126.91</u>
FUND BALANCES:						
Reserved for:						
Floor Expenses		10,000.00				10,000.00
Undesignated	357,887.20	408,431.57	112,127.83	85,822.23	107,935.31	1,072,204.14
TOTAL FUND BALANCES	<u>357,887.20</u>	<u>418,431.57</u>	<u>112,127.83</u>	<u>85,822.23</u>	<u>107,935.31</u>	<u>1,082,204.14</u>
TOTAL LIABILITIES AND FUND BALANCES:	<u>\$ 742,481.30</u>	<u>\$ 515,909.02</u>	<u>\$ 169,126.08</u>	<u>\$ 102,943.10</u>	<u>\$ 166,871.55</u>	<u>\$ 1,697,331.05</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
RECONCILIATION OF THE GOVERNMENT FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances-Governmental Funds	\$ 1,082,204.14
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental
activities are not current financial resources
and therefore are not reported in the
funds.

Governmental Capital Assets	\$ 3,037,127.71	
Less Accumulated Depreciation	<u>(966,397.63)</u>	2,070,730.08

Long-term liabilities, including bonds
payable are not due and payable in the
current period and therefore are not
reported in the funds.

(1,080,000.00)

Assets such as taxes receivable that are
not available to pay for current period
expenses, are deferred in the funds.

456,399.48

Net Assets of Governmental Funds	<u><u>\$ 2,529,333.70</u></u>
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The notes to the financial statements are an integral part of this statement.

Support Services - School Administration:						
Office of the Principal	63,692.72					63,692.72
Support Services - Business:						
Fiscal Services	47,129.93					47,129.93
Facilities Acquisition and Construction		7,927.51				7,927.51
Operation and Maintenance of Plant	168,144.94	25,392.09				193,537.03
Pupil Transportation	87,313.10					87,313.10
Nonprogrammed Charges:						
Payments to State - Unemployment	524.68					524.68
Early Retirement Payments				9,419.37		9,419.37
Debt Services					95,122.50	95,122.50
Cocurricular Activities:						
Male Activities	20,551.08	6,301.00				26,852.08
Female Activities	20,443.26					20,443.26
Combined Activities	26,332.86	1,440.15				27,773.01
Capital Outlay		76,513.08				76,513.08
TOTAL EXPENDITURES	<u>1,411,666.37</u>	<u>142,843.64</u>	<u>116,485.85</u>	<u>9,419.37</u>	<u>95,122.50</u>	<u>1,775,537.73</u>
Excess of Revenue Over (Under) Expenditures	<u>(80,291.97)</u>	<u>79,265.89</u>	<u>7,221.11</u>	<u>24,586.56</u>	<u>19,431.97</u>	<u>50,213.56</u>
Other Financing Sources:						
Transfers In	10,079.00					10,079.00
Transfers Out		(6,495.00)	(2,227.00)	(1,357.00)		(10,079.00)
Total Other Financing Sources (Uses)	<u>10,079.00</u>	<u>(6,495.00)</u>	<u>(2,227.00)</u>	<u>(1,357.00)</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	<u>(70,212.97)</u>	<u>72,770.89</u>	<u>4,994.11</u>	<u>23,229.56</u>	<u>19,431.97</u>	<u>50,213.56</u>
FUND BALANCE-BEGINNING	<u>428,100.17</u>	<u>345,660.68</u>	<u>107,133.72</u>	<u>62,592.67</u>	<u>88,503.34</u>	<u>1,031,990.58</u>
FUND BALANCE-ENDING	<u>\$ 357,887.20</u>	<u>\$ 418,431.57</u>	<u>\$ 112,127.83</u>	<u>\$ 85,822.23</u>	<u>\$ 107,935.31</u>	<u>\$ 1,082,204.14</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net Changes in Fund Balances-Total Government Funds	50,213.56
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 76,513.08	
less Current Year Depreciation	<u>(73,879.28)</u>	2,633.80

Repayment of bond principal and early retirement benefits is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	64,419.38
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The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available"

Current Deferred Revenue	\$ 456,399.48	
Prior Taxes Receivable	<u>(453,311.47)</u>	3,088.01

Change in Net Assets of Governmental Activities	<u>\$ 120,354.75</u>
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The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
BALANCE SHEET - PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Total Enterprise Funds</u>
	<u>Food Service Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 7,274.20
Inventory of Stores Purchased for Resale	2,858.40
Inventory of Donated Food	1,434.16
Total Current Assets	<u>11,566.76</u>
NON-CURRENT ASSETS:	
Capital Assets:	
Machinery and Equipment	10,149.30
Less: Accumulated Depreciation	(6,644.93)
Total Noncurrent Assets	<u>3,504.37</u>
TOTAL ASSETS	<u><u>15,071.13</u></u>
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	324.49
Due to General Fund	214.76
TOTAL CURRENT LIABILITIES:	<u>539.25</u>
 NET ASSETS:	
Invested in Capital Assets	3,504.37
Unrestricted Net Assets	11,027.51
TOTAL NET ASSETS:	<u>14,531.88</u>
 TOTAL LIABILITIES AND NET ASSETS:	<u><u>\$ 15,071.13</u></u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Total Enterprise Funds</u>
	Food Service Fund
Operating Revenue:	
Sales:	
To Pupils	\$ 33,156.36
To Adults	5,079.11
Other	<u>3,427.76</u>
Total Operating Revenue	<u>41,663.23</u>
Operating Expenses:	
Salaries	26,095.82
Employee Benefits	4,257.32
Purchased Services	1,703.46
Supplies	2,514.84
Cost of Sales - Purchased Food	39,129.70
Cost of Sales - Donated Food	5,845.51
Other	521.00
Depreciation	<u>575.19</u>
Total Operating Expenses	<u>80,642.84</u>
Operating Income (Loss)	(38,979.61)
Nonoperating Revenue:	
State Grants	381.84
Federal Grants	31,693.31
Donated Food	<u>5,951.73</u>
Total Nonoperating Revenue	<u>38,026.88</u>
Change in Net Assets	<u>(952.73)</u>
NET ASSETS - BEGINNING	<u>15,484.61</u>
NET ASSETS- ENDING	<u>\$ 14,531.88</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Total Enterprise Funds Food Service Fund</u>
Cash Flows From (For) Operating Activities:	
Receipts from Customers	\$ 41,663.23
Other Operating Cash Receipts	3,045.82
Cash Payments to Employees for Services	(30,353.14)
Cash Payments to Suppliers for Goods or Services	(43,069.75)
Other Operating Cash Payments	(521.00)
Net Cash Provided(Used) by Operating Activities	<u>(29,234.84)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants	<u>32,075.15</u>
Net Increase in Cash and Cash Equivalents	<u>2,840.31</u>
Cash and Cash Equivalents at Beginning of Year	4,433.89
Cash and Cash Equivalents at End of Year	7,274.20
Net Increase in Cash and Cash Equivalents	<u>2,840.31</u>
 RECONCILIATION OF OPERATING INCOME(LOSS)	
TO NET CASH PROVIDED (USED)	
BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(38,979.61)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	575.19
Value of Donated Commodities Used	5,845.51
Change in Assets and Liabilities:	
Receivables	2,506.57
Inventories	278.25
Accounts and Other Payables	539.25
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>\$ (29,234.84)</u>
 Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	<u>\$ 5,951.73</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 60.45	\$ 236.07
Investments, at Fair Value	42,218.88	38,955.59
TOTAL ASSETS	<u>42,279.33</u>	<u>39,191.66</u>
LIABILITIES:		
Amounts Held for Others		39,191.66
NET ASSETS:		
Held in Trust for Scholarships	42,279.33	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,279.33</u>	<u>\$ 39,191.66</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Other Additions	\$ 1,106.44
DEDUCTIONS:	
Other Deductions	<u>1,200.00</u>
CHANGE IN NET ASSETS:	(93.56)
NET ASSETS - BEGINNING	42,372.89
NET ASSETS - ENDING	<u><u>\$ 42,279.33</u></u>

The notes to the financial statements are an integral part of this statement.

**LANGFORD SCHOOL DISTRICT 45-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR END JUNE 30, 2004**

This section of Langford School District 45-2's financial report presents our discussion and analysis of the School's performance during the fiscal year ended on June 30, 2004. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ The School's net assets from government and business-type activities are \$2,424,464.
- ❑ During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$236,836 more than the \$1,714,653 governmental and business-type program expenditures.
- ❑ The total cost of the School's programs increased by approximately .5% which was primarily due to increased operating costs.
- ❑ The General Fund reported a \$12,000 current year surplus and the Capital Outlay Fund had a current year surplus of \$81,000 which will be used for upgrading the heating/ventilation system in the gymnasium in the future.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- ❑ The first two statements are government-wide statements that provide both long-term and short-term information about the School's overall financial status.
- ❑ The remaining statements are fund financial statements that focus on individual parts of the School government, reporting School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1

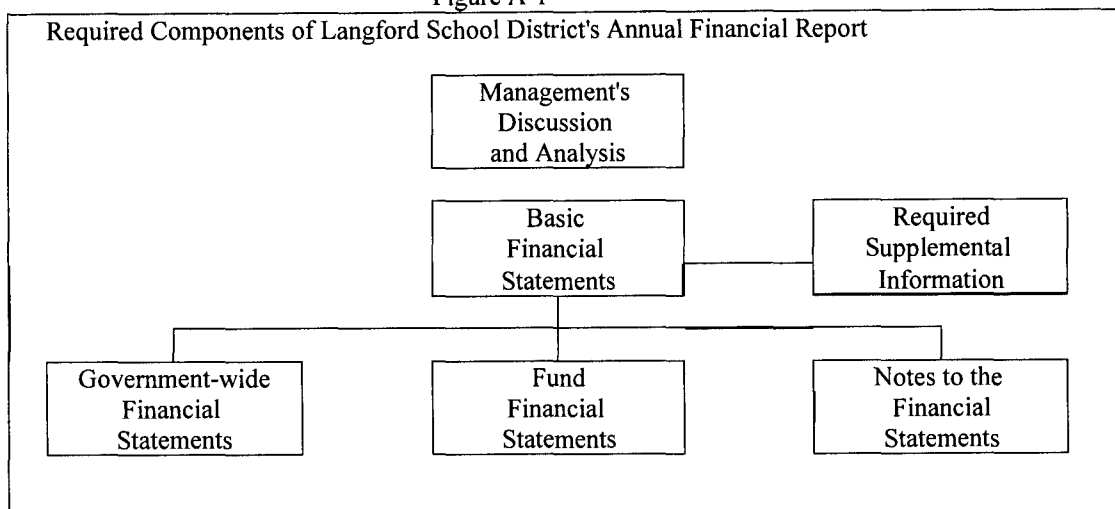


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Langford School District's Government-wide and Fund Financial Statements

	Government-Wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire School government except fiduciary funds	Activities of the School that are not proprietary or fiduciary, such as elementary & high school education programs	Activities the School operates similar to private purpose businesses. Food Service	Instances in which the School is the trustee or agent for someone else's resources
Required Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures & Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses & Changes in Net Assets	*Statements of Fiduciary Net Assets *Statements of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting & current financial resources focus	Accrual accounting & economic resource focus	Accrual accounting & economic resource focus

Type of Asset/Liability Information	All assets & liabilities, both financial and capital, & short term & long term	Only assets expected to use up liabilities that come due during the year or soon thereafter No capital assets included	All assets & liabilities both financial & capital, & short-term & long-term	All assets & liabilities both short-term & long-term; the funds do not currently contain capital assets although they can
Type of Inflow and Outflow Information	All revenues & expenses during the year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year; expenditures or services have been received & payment is due during the year or soon thereafter	All revenues & expenses during the year, regardless of when cash is received or paid	All revenues & expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – is one way to measure the school's financial health or position.

- ☐ Increases or decreases in the school's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ☐ To assess the overall health of the school you need to consider additional non-financial factors such as changes in the school's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the school are reported in two categories:

- ☐ **Governmental Activities** – This category includes the school's basic instructional services, such as elementary and high school educational programs, support services (executive administration, board of education, fiscal services, etc.) debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these programs.

- ☐ Business-type activities – The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the school.

Fund Financial Statements

The fund financial statements provide information about the school's most significant funds – not the school as a whole. Funds are accounting devices that the school uses to keep track of specific sources of funding and spending for particular purposes.

- ☐ State law requires some of the funds.
- ☐ The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The school has three kinds of funds:

- ☐ Governmental Funds – Most of the school's services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash Flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statement provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- ☐ Proprietary Funds – Services for which the school charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the school.
- ☐ Fiduciary Funds – The school is the trustee, or fiduciary, for various external and internal parties. The school is responsible for insuring that the assets reported in theses funds are used for their intended purposes. All of the school's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude theses activities from the school's government-wide financial statements because the school cannot use theses assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The school's combined net assets increased as follows:

Table A-1
Langford School District 45-2
Statement of Net Assets

Governmental Activities	Business-Type Activities	Total

	6/30/03	6/30/04	6/30/03	6/30/04	6/30/03	6/30/04
Current & Other Assets	XX	1,633,318	XX	11,405	XX	1,644,723
Capital Assets	XX	2,068,096	XX	4,080	XX	2,072,176
Total Assets		3,701,414		15,485		3,716,899
Long-Term Debt Outstanding	XX	1,144,419	XX		XX	1,144,419
Other Liabilities	XX	148,016	XX		XX	148,016
Total Liabilities		1,292,435				1,292,435
Net Assets:						
Invested in Capital Assets Net of Related Debt	XX	933,096	XX	4,080	XX	937,176
Restricted	XX	10,000	XX		XX	10,000
Unrestricted	XX	1,465,883	XX	11,405	XX	1,477,288
Total Net Assets		2,408,979		15,485		2,424,464
Beginning Net Assets	XX	2,176,563	XX	11,065	XX	2,187,628
Increase in Net Assets	XX	232,416	XX	4,420	XX	236,836
Percentage of Increase in Net Assets for 2004	XX	11%	XX	40%	XX	11%

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However in future years, this section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisted of early retirement benefits payable and general obligation bonds payable, have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

Changes in Net Assets

Again because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this

section will show condensed financial comparison of revenues and expenses and provide explanations for significant differences.

The school's total revenues (excluding special items) totaled \$1,886,541. (See Table A-2). Approximately one-half of the schools revenue comes from property and other taxes, with another third coming from state aid. (See Figure A-3).

The total cost of all programs and services was virtually unchanged. The school's expenses cover a range of services, encompassing instruction, support services and food services.

□ Langford School District 45-2 Functional Expense Breakdown for Fiscal Year 2004

○ Instruction	58 %
○ Support Services	32 %
○ Debt Services	3 %
○ Co-curricular Activities	3 %
○ Food Service	4 %

□ Langford School District 45-2 Sources of Revenues Breakdown for Fiscal Year 2004

○ Federal Sources	1 %
○ State Sources	37 %
○ Taxes	50 %
○ Program Grants	8 %
○ Charges for Services	3 %
○ Miscellaneous	1 %

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Table A-2
Changes in Net Assets

	Total Governmental Activities 2004	Total Business-Type Activities 2004	Total 2004
Revenues			
Program Revenues			
Charges for Services	15,391	36,423	51,814
Operating Grants & Contributions	117,616	40,422	158,038
General Revenues			
Taxes	937,148		937,148
State Sources	701,364		701,364
Federal Sources	11,747		11,747
Local Sources	18,664		18,664

Unrestricted Investment Earnings	7,766		7,766
Total Revenues	1,809,696	76,845	1,886,541
Expenses			
Instruction	998,165		998,165
Support Services	527,451		527,451
Debt Service	58,238		58,238
Cocurricular Activities	58,374		58,374
Food Service		72,425	72,425
Total Expenses	1,642,228	72,425	1,714,653
Excess Before Special Items	167,468	4,420	171,888
Special Items	64,948		64,948
Increase in Net Assets	232,416	4,420	236,836

BUSINESS-TYPE ACTIVITIES

Revenues of the school's business-type activities remained approximately the same and expenses increased by .5%. Factors contributing to these results included:

- ☐ There was a reduction in the number of meals served during the school year.
- ☐ The per meal prices increased by \$.10 for grades K-6 and \$.15 for grades 7-12 respectively. The net result of the lower meals served and the increased price was neutral.
- ☐ The primary reason for the increase in expenses was due to normal increase in salaries and wages.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General, Capital Outlay, Special Education and Pension Funds had the following changes in fund balance for the year:

- ☐ General Fund \$ 12,188 increase
- ☐ Capital Outlay \$ 81,422 increase
- ☐ Special Education \$ 2,888 increase
- ☐ Pension Fund \$ 10,971 increase
- ☐ Bond Redemption \$1,116,401 decrease

The increase in fund balance in the Capital Outlay Fund will be used in future periods to upgrade the 1977 gymnasium building's heating and ventilation system. The increase in fund balance in the Pension Fund will be needed in future periods for the payment of early retirement claims and the school's employer retirement match. The decrease in the Bond Redemption Fund was due to the timing of the initial bond issue refinancing wherein the new bonds were sold in 2003 and the initial old bonds were repurchased in 2004.

BUDGETARY HIGHLIGHTS

The School Board revised the school budget at the end of the school year. These amendments fall into two categories.

- ☐ Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- ☐ Increases in appropriations, primarily by contingency transfer, to prevent budget overruns

There were no significant budget changes or budget variances for the year.

CAPITAL ASSET ADMINISTRATION

By the end of 2004, the school had invested \$2,072,176 in a broad range of capital assets, including land, buildings, various machinery and equipment. (See Table A-3).

Table A-3
Langford School District 45-2 – Capital Assets
(net of depreciation)

	Governmental Activities	Business-Type Activities	
	2004	2003	2004
Land	9,003		
Buildings	1,741,848		
Machinery & Equipment	229,259	4,655	4,080
Improvements	28,461		
Library Media	59,525		
Total Capital Assets(Net)	2,068,096	4,655	4,080

This years capital asset purchases were primarily used for a new bus and copy machine.

The school's fiscal year 2005 capital budget projects spending \$70,000 on a new gymnasium floor, \$10,000 on a new sound system in the gymnasium and on increasing the capital outlay fund balance to provide funds needed for a gymnasium heating/ventilation upgrade. The school has no plans to issue additional debt to finance this project.

LONG-TERM DEBT

At the year end the school had \$1,135,000 in outstanding bonds. The school has no current plans to issue any additional long-term debt.

Table A-4
Langford School District 45-2 – Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percent Change
	2003	2004	2003	2004	2003-2004	2003-2004
Early Retirement	31,398	9,419			(21,979)	-70%
Bonds	2,310,000	1,135,000			(1,175,000)	-51%
Total Outstanding Debt Obligations	<u>2,341,398</u>	<u>1,144,419</u>			<u>(1,196,979)</u>	<u>-51%</u>

These numbers reflect a bond issue refinancing as explained on page 8 under the heading "Financial Analysis of the School's Funds".

The school maintains an early retirement plan, which allows those meeting certain qualification, to retire early and receive \$17,500.00 over three years. This plan allows the school to reduce the overall program cost by hiring lower paid personnel to replace higher paid personnel.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The school's current economic position has shown little change. The school did experience an increase in total valuation of \$8,198,888 or 7% from the prior year. The increase in property valuation allows the school the ability to increase the amount of revenue generated from property taxes however the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the school is based on a per student allocation they receive from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4026 per pupil. The allocation for the next year has been increased by \$134 per pupil, however the school has experienced a reduction of 9 students average daily membership (ADM) for next years state aid. This will result in the school receiving slightly less overall revenue from the State of South Dakota even with the increase in the allocation.

The school's enrollment for the last five years has been as follows:

<u>Year</u>	<u>ADM</u>
2000	237
2001	246
2002	246
2003	240
2004	231

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional

information, contact the Langford School's Business Office, 206 Chestnut Street, PO Box 127, Langford, South Dakota 57454-0127.

LANGFORD SCHOOL DISTRICT 45-2
STATEMENT OF NET ASSETS
JUNE 30, 2004

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,138,244.95	\$ 4,433.89	\$ 1,142,678.84
Taxes Receivable	453,311.47		453,311.47
Inventories		4,464.59	4,464.59
Other Assets	41,761.46	2,506.57	44,268.03
Capital Assets:			
Land	9,003.00		9,003.00
Other Capital Assets, Net of Accumulated Depreciation	2,059,093.28	4,079.56	2,063,172.84
TOTAL ASSETS	3,701,414.16	15,484.61	3,716,898.77
LIABILITIES:			
Other Current Liabilities	148,015.83		148,015.83
Noncurrent Liabilities:			
Due Within One Year	64,419.38		64,419.38
Due in More than One Year	1,080,000.00		1,080,000.00
TOTAL LIABILITIES	1,292,435.21	0.00	1,292,435.21
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	933,096.28	4,079.56	937,175.84
Restricted for:			
Capital Outlay Expenses	443,605.38		443,605.38
Special Education Expenses	149,470.83		149,470.83
Pension Fund Expenses	70,225.72		70,225.72
Debt Service	149,285.27		149,285.27
Food Service Expenses		11,405.05	11,405.05
Unrestricted	663,295.47		663,295.47
TOTAL NET ASSETS	2,408,978.95	15,484.61	2,424,463.56
TOTAL LIABILITIES AND NET ASSETS	\$ 3,701,414.16	\$ 15,484.61	\$ 3,716,898.77

The notes to the financial statements are an integral part of this statement.

**LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Government Activities:						
Instruction	\$ 998,165.15	\$ 1,560.00	\$ 117,615.75	\$ (878,989.40)		\$ (878,989.40)
Support Services	527,451.15			(527,451.15)		(527,451.15)
*Interest on Long-term Debt	58,237.53			(58,237.53)		(58,237.53)
Cocurricular Activities	58,373.57	13,830.87		(44,542.70)		(44,542.70)
Total Governmental Activities	<u>1,642,227.40</u>	<u>15,390.87</u>	<u>117,615.75</u>	<u>(1,509,220.78)</u>		<u>(1,509,220.78)</u>
Business-type Activities:						
Food Service	72,425.15	36,422.61	40,422.60		\$ 4,420.05	4,420.05
Total Primary Government	<u>\$ 1,714,652.55</u>	<u>\$ 51,813.48</u>	<u>\$ 158,038.35</u>	<u>\$ (1,509,220.78)</u>	<u>\$ 4,420.05</u>	<u>\$ (1,504,800.73)</u>
		General Revenues:				
		Taxes:				
		Property Taxes				
				\$ 891,876.91		\$ 891,876.91
		Gross Receipts Taxes				
				45,270.70		45,270.70
		Revenue from State Sources				
				701,202.53		701,202.53
		State Aid				
				162.00		162.00
		Revenue from Federal Sources				
				11,746.88		11,746.88
		Unrestricted Investment Earnings				
				7,766.38		7,766.38
		Other General Revenues				
				18,664.10		18,664.10
		Total General Revenues and Special Items				
				<u>1,676,689.50</u>	<u>0.00</u>	<u>1,676,689.50</u>
		Change in Net Assets				
				<u>167,468.72</u>	<u>4,420.05</u>	<u>171,888.77</u>
		Net Assets-Beginning				
				2,036,162.13	11,064.56	2,047,226.69
		Adjustments:				
		Prior Period Adjustment - Error in Not Reporting				
		Capital Assets				
				64,947.60		64,947.60
		Cumulative Effect of Change in Accounting				
				140,400.50		140,400.50
		Principles				
				<u>2,241,510.23</u>	<u>11,064.56</u>	<u>2,252,574.79</u>
		Adjusted Assets-Beginning				
		NET ASSETS-ENDING				
				<u>\$ 2,408,978.95</u>	<u>\$ 15,484.61</u>	<u>\$ 2,424,463.56</u>

* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 521,300.99	\$ 345,660.68	\$ 120,202.83	\$ 62,592.67	\$ 88,487.78	\$ 1,138,244.95
Taxes Receivable--Current	234,860.10	97,910.62	42,337.11	17,052.43	60,565.69	452,725.95
Taxes Receivable--Delinquent	335.20	34.08			216.24	585.52
Accounts Receivable, Net	(364.49)					(364.49)
Due from Other Governments	41,978.61					41,978.61
Interest Receivable on Investments and Deposits	131.78				15.56	147.34
TOTAL ASSETS	<u>798,242.19</u>	<u>443,605.38</u>	<u>162,539.94</u>	<u>79,645.10</u>	<u>149,285.27</u>	<u>1,633,317.88</u>
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Contracts Payable	108,211.90		10,451.50			118,663.40
Payroll Deductions and Withholdings and Employer Matching Payable	26,734.82		2,617.61			29,352.43
Deferred Revenue	235,195.30	97,944.70	42,337.11	17,052.43	60,781.93	453,311.47
TOTAL LIABILITIES	<u>370,142.02</u>	<u>97,944.70</u>	<u>55,406.22</u>	<u>17,052.43</u>	<u>60,781.93</u>	<u>601,327.30</u>
FUND BALANCES:						
Reserved for:						
Floor expenses		10,000.00				10,000.00
Undesignated	428,100.17	335,660.68	107,133.72	62,592.67	88,503.34	1,021,990.58
TOTAL FUND BALANCES	<u>428,100.17</u>	<u>345,660.68</u>	<u>107,133.72</u>	<u>62,592.67</u>	<u>88,503.34</u>	<u>1,031,990.58</u>
TOTAL LIABILITIES AND FUND BALANCES:	<u>\$ 798,242.19</u>	<u>\$ 443,605.38</u>	<u>\$ 162,539.94</u>	<u>\$ 79,645.10</u>	<u>\$ 149,285.27</u>	<u>\$ 1,633,317.88</u>

The notes to the financial statements are an integral part of this statement

LANGFORD SCHOOL DISTRICT NO. 45-2
RECONCILIATION OF THE GOVERNMENT FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances-Governmental Funds	\$	1,031,990.58
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental
activities are not current financial resources
and therefore are not reported in the
funds.

Governmental Capital Assets	\$	2,960,614.63	
Less Accumulated Depreciation		<u>(892,518.35)</u>	2,068,096.28

Long-term liabilities, including bonds
payable and early retirement payable
are not due and payable in the current
period and therefore are not reported
in the funds.

Bonds Payable	\$	(1,135,000.00)	
Early Retirement Benefits Payable		<u>(9,419.38)</u>	(1,144,419.38)

Assets such as taxes receivable that are
not available to pay for current period
expenses, are deferred in the funds.

453,311.47

Net assets of Governmental Funds	\$	<u><u>2,408,978.95</u></u>
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The notes to the financial statements are an integral part of this statement.

Support Services - Instructional Staff:						
Improvement of Instruction	1,543.91					1,543.91
Educational Media	12,323.78					12,323.78
Support Services - General Administration:						
Board of Education	22,889.34					22,889.34
Executive Administration	82,904.72					82,904.72
Support Services - School Administration:						
Office of the Principal	60,576.06					60,576.06
Support Services - Business:						
Fiscal Services	43,403.74					43,403.74
Facilities Acquisition and Construction		9,019.16				9,019.16
Operation and Maintenance of Plant	156,120.94	29,983.31				186,104.25
Pupil Transportation	71,319.56					71,319.56
Nonprogrammed Charges:						
Early Retirement Payments				21,978.55		21,978.55
Debt Services					1,233,237.53	1,233,237.53
Cocurricular Activities:						
Male Activities	20,705.28					20,705.28
Female Activities	19,316.98					19,316.98
Combined Activities	18,101.31					18,101.31
Capital Outlay		60,293.95				60,293.95
TOTAL EXPENDITURES	<u>1,331,469.94</u>	<u>129,235.60</u>	<u>113,778.75</u>	<u>21,978.55</u>	<u>1,233,237.53</u>	<u>2,829,700.37</u>
Excess of Revenue Over (Under) Expenditures	<u>8,492.61</u>	<u>83,847.76</u>	<u>3,789.01</u>	<u>11,339.43</u>	<u>(1,111,640.36)</u>	<u>(1,004,171.55)</u>
Other Financing Sources:						
Transfers In	3,695.00					3,695.00
Transfers Out		(2,426.00)	(901.00)	(368.00)		(3,695.00)
Total Other Financing Sources (Uses)	<u>3,695.00</u>	<u>(2,426.00)</u>	<u>(901.00)</u>	<u>(368.00)</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	<u>12,187.61</u>	<u>81,421.76</u>	<u>2,888.01</u>	<u>10,971.43</u>	<u>(1,111,640.36)</u>	<u>(1,004,171.55)</u>
FUND BALANCE-BEGINNING	<u>415,912.56</u>	<u>264,238.92</u>	<u>104,245.71</u>	<u>51,621.24</u>	<u>1,200,143.70</u>	<u>2,036,162.13</u>
FUND BALANCE-ENDING	<u>\$ 428,100.17</u>	<u>\$ 345,660.68</u>	<u>\$ 107,133.72</u>	<u>\$ 62,592.67</u>	<u>\$ 88,503.34</u>	<u>\$ 1,031,990.58</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net Changes in Fund Balances-Total Government Funds	(1,004,171.55)
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 60,293.95	
less Current Year Depreciation	<u>(69,799.53)</u>	(9,505.58)

Repayment of bond principal and early retirement benefits is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,196,978.55
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The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available"

Current Deferred Revenue	\$ 453,311.47	
Prior Taxes Receivable	<u>(469,144.17)</u>	(15,832.70)

Change in Net Assets of Governmental Activities	<u><u>\$ 167,468.72</u></u>
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The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
BALANCE SHEET - PROPRIETARY FUNDS
JUNE 30, 2004

	<u>Total Enterprise Funds Food Service Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,433.89
Due from Other Governments	2,506.57
Inventory of Stores Purchased for Resale	3,136.65
Inventory of Donated Food	1,327.94
Total Current Assets	<u>11,405.05</u>
 NON-CURRENT ASSETS:	
Capital Assets:	
Machinery and Equipment	10,149.30
Less: Accumulated Depreciation	<u>(6,069.74)</u>
Total Noncurrent Assets	<u>4,079.56</u>
 TOTAL ASSETS	 <u><u>15,484.61</u></u>
 NET ASSETS:	
Invested in Capital Assets	4,079.56
Unrestricted Net Assets	<u>11,405.05</u>
TOTAL NET ASSETS:	<u><u>\$ 15,484.61</u></u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Total Enterprise Funds</u>
	Food Service Fund
Operating Revenue:	
Sales:	
To Pupils	\$ 29,087.55
To Adults	4,501.20
Other	2,833.86
Total Operating Revenue	<u>36,422.61</u>
Operating Expenses:	
Salaries	24,426.27
Employee Benefits	4,858.16
Purchased Services	678.00
Supplies	1,925.99
Cost of Sales - Purchased Food	34,254.36
Cost of Sales - Donated Food	5,707.23
Depreciation	575.15
Total Operating Expenses	<u>72,425.16</u>
Operating Income (Loss)	(36,002.55)
Nonoperating Revenue:	
State Sources:	
Cash Reimbursements	607.30
Federal Sources:	
Cash Reimbursements	33,877.26
Donated Food	5,938.04
Total Nonoperating Revenue	<u>40,422.60</u>
Change in Net Assets	4,420.05
NET ASSETS - BEGINNING	<u>11,064.56</u>
NET ASSETS- ENDING	<u><u>\$ 15,484.61</u></u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Total Enterprise Funds Food Service Fund</u>
Cash Flows From (For) Operating Activities:	
Receipts from Customers	\$ 36,422.61
Cash Payments to Employees for Services	(29,284.43)
Cash Payments to Suppliers for Goods or Services	(37,837.92)
Other Operating Cash Payments	(2,506.57)
Net Cash Provided(Used) by Operating Activities	<u>(33,206.31)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants	<u>34,484.56</u>
Net Increase in Cash and Cash Equivalents	<u>1,278.25</u>
Cash and Cash Equivalents at Beginning of Year	3,155.64
Cash and Cash Equivalents at End of Year	4,433.89
Net Increase in Cash and Cash Equivalents	<u>1,278.25</u>
Reconciliation of Operating Income(Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(36,002.55)
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	575.15
Value of Donated Commodities Used	5,707.23
Change in Assets and Liabilities	
Receivables	(2,506.57)
Inventories	(979.57)
Net Cash Provided (Used) by Operating Activities:	<u>\$ (33,206.31)</u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	<u>\$ 5,938.04</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 60.45	\$ 1,869.88
Investments, at Fair Value	42,312.44	31,343.46
TOTAL ASSETS	<u>42,372.89</u>	<u>33,213.34</u>
 LIABILITIES:		
Amounts Held for Others		33,213.34
 NET ASSETS:		
Held in Trust for Scholarships	<u>42,372.89</u>	
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,372.89</u>	<u>\$ 33,213.34</u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Other Additions	\$ 1,331.92
DEDUCTIONS:	
Other Deductions	<u>2,000.00</u>
CHANGE IN NET ASSETS:	(668.08)
NET ASSETS - BEGINNING	43,040.97
NET ASSETS - ENDING	<u><u>\$ 42,372.89</u></u>

The notes to the financial statements are an integral part of this statement.

LANGFORD SCHOOL DISTRICT NO. 45-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America

a. Financial Reporting Entity

The reporting entity of Langford School District No. 45-2 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts, and special purpose governments. The School District has implemented, GASB No. 34, resulting in a lack of comparability between these financial statements and those presented in prior years. The new reporting model significantly changes the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The Statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type

activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of Net Assets presents all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within in their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3

to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Debt Service Fund Types - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

Enterprise Fund Types - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund - A fund used to record financial transactions related to food

service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Fund Types - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund(s): Fossel Brothers Scholarship Fund for student scholarships.

Agency Fund Types - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests.)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Langford School District No. 45-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2005 are Title I - \$22,427.45, REAP - \$17,406.95, and a Curriculum Mapping Grant - \$8,279.00.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The governmental business-type activities and enterprise funds do not apply any FASB statements and Interpretations issued after November 30, 1989.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing up effect on assets and liabilities within the governmental and business-type activities columns of the primary government amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other fixed asset costs.

The total June 30, 2005 balance of capital assets for governmental activities includes approximately 4 percent for which the costs were determined by estimates of the original costs. The total June 30, 2005 balance of capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital assets accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	---N/A---	---N/A---
Improvements	\$ 5,000.00	Straight-line	15-20 Years
Buildings	\$ 5,000.00	Straight-line	33-70 Years
Machinery and Equipment	\$ 5,000.00	Straight-line	10-20 Years
Library	\$ 0.00	Straight-line	20 Years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of early retirement benefits payable, paid off during 6/30/05 fiscal year, and general obligation bonds.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for Services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The school district pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted “ or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Reserved” and “Unreserved” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both

restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Depository balances of deposits at the balance sheet date are entirely insured or collateralized with securities held by the auditee or by its agent in the auditees name.

Investments - In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments

As of June 30, 2005, the School District had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
SDFIT			
Governmental Funds		Money Market	\$ 1,019,242.20
TOTAL INVESTMENTS			<u>\$ 1,019,242.20</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board

with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Interest Rate Risk – The School District does not have a formal investment policy that limits investing maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2005, the School District's investments in the SD FIT pool was unrated.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. 100 percent of the School District's investments are in SDFIT.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for Bond Redemption Fund income from deposits which stays in the Bond Redemption Fund. USGAAP, on the other hand, required income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. INVENTORY:

Inventory is stated at the lower of cost or market. The cost valuation method is first in, first out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the Government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. DEFERRED REVENUE:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

5. PROPERTY TAXES:

Property taxes are levied on or before each October 1, attached as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

6. CHANGES IN CAPITAL ASSETS:

A summary of changes in general fixed assets for the two years ended June 30, 2005 is as follows:

Primary Government

	Balance 07/01/2003	Increases	Decreases	Balance 06/30/2005
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,003.00			\$ 9,003.00
Total, not being depreciated	\$ 9,003.00			\$ 9,003.00
Capital assets, being depreciated:				
Improvements	41,779.23			41,779.23
Buildings	2,466,218.97	\$ 63,400.00		2,529,618.97
Machinery & Equipment	259,685.18	72,104.54		331,789.72
Library	123,634.30	1,302.49		124,936.79
Total, being depreciated	\$ 2,891,317.68	\$ 136,807.03		\$ 3,028,124.71

Less accumulated depreciation for:			
Improvements	\$ 10,746.59	\$ 5,143.80	\$ 15,890.39
Buildings	679,356.56	91,949.09	771,305.65
Machinery & Equipment	73,928.97	34,311.24	108,240.21
Library	58,686.70	12,274.68	70,961.38
Total accumulated depreciation	<u>\$ 822,718.82</u>	<u>\$ 143,678.81</u>	<u>\$ 966,397.63</u>
Total capital assets, being depreciated, net	<u>\$ 2,068,598.86</u>	<u>\$ (6,871.78)</u>	<u>\$ 2,061,727.08</u>
Governmental activity capital assets, Net	<u><u>\$ 2,077,601.86</u></u>	<u><u>\$ (6,871.78)</u></u>	<u><u>\$ 2,070,730.08</u></u>

**Depreciation expense was charged to functions as follows

	6/30/04	6/30/05	Total
Governmental Activities:			
Instruction	\$ 46,724.57	\$ 49,613.06	\$ 96,337.63
Support Services	22,824.96	24,016.22	46,841.18
Co-curricular Activities	250.00	250.00	500.00
Total Depreciation Expense – Governmental Activities	<u>\$ 69,799.53</u>	<u>\$ 73,879.28</u>	<u>\$ 143,678.81</u>

	Balance 07/01/2003	Increases	Decreases	Balance 06/30/2005
Business-type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 39,869.89		29,720.59	\$ 10,149.30
Total, being depreciated	<u>\$ 39,869.89</u>		<u>\$ 29,720.59</u>	<u>\$ 10,149.30</u>
Less accumulated depreciation for:				
Machinery & Equipment	\$ 35,215.18	\$ 1,150.34	\$ 29,720.59	\$ 6,644.93
Total accumulated depreciation	<u>\$ 35,215.18</u>	<u>\$ 1,150.34</u>	<u>\$ 29,720.59</u>	<u>\$ 6,644.93</u>
Total Capital Assets, being depreciated, Net	<u>4,654.71</u>	<u>(1,150.34)</u>		<u>3,504.37</u>
Business-type activity capital assets, Net	<u><u>\$ 4,654.71</u></u>	<u><u>\$ (1,150.34)</u></u>		<u><u>\$ 3,504.37</u></u>

**Depreciation expense was charged to functions as follows

	06/30/04	06/30/05	Total
Business-type activities:			
Food Services	\$ 575.15	\$ 575.19	\$ 1,150.34

Business-type capital assets below the \$5,000 capitalization policy which was completely depreciated out were removed from the depreciation schedule resulting in the decrease of \$29,720.59 above in machinery and equipment and accumulated depreciation.

7. LONG-TERM LIABILITIES:

A summary of the changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	07/01/03 Beginning Balance	Additions	Deletions	06/30/05 Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Series 1998	\$ 1,175,000.00		\$ 1,175,000.00		
General Obligation Series 2003	1,135,000.00		55,000.00	\$ 1,080,000.00	\$ 65,000.00
Total Debt	2,310,000.00		1,230,000.00	1,080,000.00	65,000.00
Early Retirement Payable -					
Governmental Funds	31,397.93		31,397.93		
Total Governmental Activities	2,341,397.93		1,261,397.93	1,080,000.00	65,000.00
Total Primary Government	\$ 2,341,397.93		\$ 1,261,397.93	\$ 1,080,000.00	\$ 65,000.00

PRIMARY GOVERNMENT

Governmental Activities:

General Obligation Bonds Payable:

Series 2003 General Obligation Refunding Bonds,
matures July of 2017, 1.4 - 4.5% interest, paid by
the Bond Redemption Fund

\$ 1,080,000.00

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2005 are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2005

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2006	\$ 65,000.00	\$ 38,785.00
2007	65,000.00	37,550.00
2008	70,000.00	35,992.50
2009	75,000.00	33,992.50
2010	70,000.00	31,712.50
2011 - 2015	425,000.00	113,827.50
2016 - 2020	310,000.00	20,971.25
Totals	<u>\$ 1,080,000.00</u>	<u>\$ 312,831.25</u>

8. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS:

Interfund receivable and payable balances at June 30, 2005 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 214.76	
Food Service Fund		\$ 214.76

The outstanding balances between the General Fund and Food Service Fund include outstanding charges by one fund to another for goods. Interfund receivables and payables are expected to be repaid within one year.

Interfund transfers for the year ended June 30, 2005 were as follows:

Transfers From:	Transfers to: General Fund
Capital Outlay Fund	\$ 6,495.00
Special Education	2,227.00
Pension Fund	1,357.00
Totals	<u>\$ 10,079.00</u>

Interfund transfers for the year ended June 30, 2004 were as follows:

Transfers From:	Transfers to: General Fund
-----------------	-------------------------------

Capital Outlay Fund	\$ 2,426.00
Special Education	901.00
Pension Fund	368.00
Totals	<u>\$ 3,695.00</u>

The School District typically uses transfers to transfer earnings on deposits and investments from special revenue funds to the General Fund.

9. RESTRICTED NET ASSETS:

Net Assets restricted for other purposes on the Statement of Net Assets as of June 30, 2005 and 2004 for special education and pension expenses and debt service have been externally imposed by state regulations. The board has imposed a restriction of \$10,000 for capital outlay expenses for June 30, 2005 and 2004, respectively. External state regulations has restricted \$505,909.02 and \$433,605.38 for June 30, 2005 and 2004, respectively for other capital outlay expenses. Net Asset restrictions for business-type activities have been externally imposed by federal regulations for the fiscal years ended June 30, 2005 and 2004.

10. ACCOUNTING CHANGES:

The net Assets as of July 1, 2003 on the Government-Wide Statement of net Assets has been adjusted to restate the cumulative effects of applying GASB 34 during the first year of its implementation.

11. PRIOR PERIOD ADJUSTMENT:

Retained earnings at the beginning of 2004 has been adjusted to correct an error made in prior years of not reporting capital assets. This error has no effect on prior years net income in that the School District was not required to report capital asset purchases, as required by GASB 34, which took effect January 1, 2004.

12. RETIREMENT PLAN:

All employees, except for salaried employees, working less than 20 hours per week and classified employee paid hourly, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of

their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial members, 9.0% of salary; and Class B Public Safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$55,388.84, \$53,300.48, and \$51,651.30, respectively, equal to the required contributions each year.

13. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2005, the school district managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The School District offers a choice of three plans with deductibles from \$250.00 to \$1000.00 per person and \$500.00 to \$2000.00 per family. The plans also provides for coinsurance of 80 percent up to \$2500.00 or \$5000.00, depending on the plan chosen by the employee. The School District pays for the employers monthly single policy premium up to a maximum of \$350.00. The coverage also includes a \$2,000,000.00 lifetime maximum payment per person.

Liability Insurance

The School District joined the Associated School Boards of South Dakota property Liability Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The School District pays an annual premium to the pool to provide coverage for: Property (theft damage), General Liabilities, Automobile and Bus, School Leaders Professional (errors and omissions).

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage's will be provided to a \$250,000,000.00 property limit and \$2,000,000.00 liability limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$50,000 to the upper limit. The School District carries a \$500.00 deductible for the property coverage and no deductible for liability coverage.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceed the liability coverage.

Worker's Compensation:

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participants percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2005, the pool's retained risk was \$300,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$700,000 for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to pool members for the year ended June 30, 2005.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has not reserved equity for the payment of future unemployment benefits.

During the 2 years ended June 30, 2005, 1 claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$524.68. At June 30, 2005, no claims had been filed and were outstanding. It is estimated, based upon historical trends, that these claims will result in the future payment of unemployment benefits in the amount of approximately \$0.00. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

14. LITIGATION:

At June 30, 2005 the School District was not involved in any litigation.

Preschool Services	500.00	500.00	333.43	166.57
Special Programs:				
Educationally Deprived	78,000.00	78,000.00	74,387.27	3,612.73
Support Services:				
Instructional Staff:				
Improvement of Instruction		6,825.80	6,825.80	0.00
Educational Media	10,000.00	10,283.96	10,283.96	0.00
General Administration:				
Board of Education	20,000.00	20,000.00	18,622.04	1,377.96
Executive Administration	87,000.00	87,000.00	86,136.42	863.58
School Administration:				
Office of the Principal	63,700.00	63,700.00	63,692.72	7.28
Business:				
Fiscal Services	47,500.00	47,500.00	47,129.93	370.07
Operation and Maintenance of Plant	172,000.00	172,000.00	168,144.94	3,855.06
Pupil Transportation	78,250.00	87,313.10	87,313.10	0.00
Food Services	5,000.00	5,000.00	0.00	5,000.00
Nonprogrammed Charges:				
Payments to State - Unemployment		524.68	524.68	0.00
Cocurricular Activities:				
Male Activities	20,024.61	22,450.00	20,551.08	1,898.92
Female Activities	17,624.61	20,050.00	20,443.26	(393.26)
Combined Activities	23,850.78	24,827.20	26,332.86	(1,505.66)
Contingencies	40,000.00	40,000.00		
Less Transferred		(24,118.57)		15,881.43
TOTAL EXPENDITURES	<u>1,458,800.00</u>	<u>1,458,800.00</u>	<u>1,411,666.37</u>	<u>47,133.63</u>
Excess of Revenue Over (Under) Expenditures	(138,800.00)	(138,800.00)	(80,291.97)	58,508.03
Other Financing Sources:				
Transfers In			10,079.00	10,079.00
Net Change In Fund Balances	(138,800.00)	(138,800.00)	(70,212.97)	68,587.03
FUND BALANCE-BEGINNING	<u>428,100.17</u>	<u>428,100.17</u>	<u>428,100.17</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 289,300.17</u>	<u>\$ 289,300.17</u>	<u>\$ 357,887.20</u>	<u>\$ 68,587.03</u>

**REQUIRED SUPPLEMENTARY INFORMATION
LANGFORD SCHOOL DISTRICT NO 45-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 185,000.00	\$ 185,000.00	\$ 185,259.37	\$ 259.37
Prior Years' Ad Valorem Taxes			874.31	874.31
Tax Deed Revenue			0.76	0.76
Penalties and Interest on Taxes			685.55	685.55
Earnings on Investments and Deposits			6,495.00	6,495.00
Other Revenue from Local Sources:				
Other			12,589.54	12,589.54
Revenue in Lieu of Taxes			18.13	18.13
Revenue from Federal Sources: Other			16,186.87	16,186.87
TOTAL REVENUE	<u>185,000.00</u>	<u>185,000.00</u>	<u>222,109.53</u>	<u>37,109.53</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary	15,000.00	15,000.00		15,000.00
High School	25,000.00	25,000.00	23,939.93	1,060.07
Support Services - Instructional Staff				
Educational Media	3,500.00	3,500.00	1,853.42	1,646.58
Support Services - Business:				
Facilities Acquisition and Construction		7,927.51	7,927.51	0.00
Operation and Maintenance of Plant	141,500.00	141,500.00	101,381.63	40,118.37
Cocurricular Activities:				
Male Activities		6,301.00	6,301.00	0.00
Combined Activities		1,440.15	1,440.15	0.00
TOTAL EXPENDITURES	<u>185,000.00</u>	<u>200,668.66</u>	<u>142,843.64</u>	<u>57,825.02</u>
Excess of Revenue Over (Under) Expenditures	0.00	(15,668.66)	79,265.89	94,934.55
Other Financing Sources:				
Transfers Out			(6,495.00)	(6,495.00)
Net Change In Fund Balances		(15,668.66)	72,770.89	88,439.55
FUND BALANCE-BEGINNING	<u>345,660.68</u>	<u>345,660.68</u>	<u>345,660.68</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 345,660.68</u>	<u>\$ 329,992.02</u>	<u>\$ 418,431.57</u>	<u>\$ 88,439.55</u>

**REQUIRED SUPPLEMENTARY INFORMATION
LANGFORD SCHOOL DISTRICT NO 45-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 81,000.00	\$ 81,000.00	\$ 81,027.41	\$ 27.41
Prior Years' Ad Valorem Taxes			377.86	377.86
Tax Deed Revenue			0.33	0.33
Penalties and Interest on Taxes			299.69	299.69
Earnings on Investments and Deposits			2,227.00	2,227.00
Revenue in Lieu of Taxes			7.86	7.86
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid			3,488.00	3,488.00
Revenue from Federal Sources:				
Grants in Aid:				
Restricted Grants-in-Aid Received from				
Federal Government through the State	22,000.00	22,000.00	36,278.81	14,278.81
TOTAL REVENUE	<u>103,000.00</u>	<u>103,000.00</u>	<u>123,706.96</u>	<u>20,706.96</u>
EXPENDITURES:				
Special Programs:				
Programs for Special Education	95,000.00	98,963.16	98,963.16	0.00
Support Services - Pupils:				
Speech Pathology	16,000.00	17,522.69	17,522.69	0.00
TOTAL EXPENDITURES	<u>111,000.00</u>	<u>116,485.85</u>	<u>116,485.85</u>	<u>0.00</u>
Excess of Revenue Over (Under) Expenditures	(8,000.00)	(13,485.85)	7,221.11	20,706.96
Other Financing Sources:				
Transfers Out			(2,227.00)	(2,227.00)
Net Change In Fund Balances	(8,000.00)	(13,485.85)	4,994.11	18,479.96
FUND BALANCE-BEGINNING	<u>107,133.72</u>	<u>107,133.72</u>	<u>107,133.72</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 99,133.72</u>	<u>\$ 93,647.87</u>	<u>\$ 112,127.83</u>	<u>\$ 18,479.96</u>

REQUIRED SUPPLEMENTARY INFORMATION
LANGFORD SCHOOL DISTRICT NO. 45-2
BUDGETARY COMPARISON SCHEDULE
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 32,000.00	\$ 32,000.00	\$ 32,375.09	\$ 375.09
Prior Years' Ad Valorem Taxes			150.96	150.96
Tax Deed Revenue			0.13	0.13
Penalties and Interest on Taxes			119.58	119.58
Earnings on Investments and Deposits			1,357.00	1,357.00
Revenue in Lieu of Taxes			3.17	3.17
TOTAL REVENUE	<u>32,000.00</u>	<u>32,000.00</u>	<u>34,005.93</u>	<u>2,005.93</u>
EXPENDITURES:				
Nonprogrammed Charges:				
Early Retirement Payments	32,000.00	32,000.00	9,419.37	22,580.63
TOTAL EXPENDITURES	<u>32,000.00</u>	<u>32,000.00</u>	<u>9,419.37</u>	<u>22,580.63</u>
Excess of Revenue Over (Under) Expenditures	0.00	0.00	24,586.56	24,586.56
Other Financing Sources:				
Transfers Out			(1,357.00)	(1,357.00)
Net Change in Fund Balances	0.00	0.00	23,229.56	23,229.56
FUND BALANCE-BEGINNING	<u>62,592.67</u>	<u>62,592.67</u>	<u>62,592.67</u>	<u>0.00</u>
FUND BALANCE-ENDING	<u>\$ 62,592.67</u>	<u>\$ 62,592.67</u>	<u>\$ 85,822.23</u>	<u>\$ 23,229.56</u>

Improvement of Instruction	2,500.00	2,500.00	1,543.91	956.09
Educational Media	13,000.00	13,000.00	12,323.78	676.22
General Administration:				
Board of Education	21,000.00	22,889.34	22,889.34	0.00
Executive Administration	83,000.00	83,000.00	82,904.72	95.28
School Administration:				
Office of the Principal	60,000.00	60,576.06	60,576.06	0.00
Business:				
Fiscal Services	44,000.00	44,000.00	43,403.74	596.26
Operation and Maintenance of Plant	169,500.00	169,500.00	156,120.94	13,379.06
Pupil Transportation	76,000.00	76,000.00	71,319.56	4,680.44
Food Services	5,000.00	5,000.00	0.00	5,000.00
Cocurricular Activities:				
Male Activities	22,135.00	22,135.00	20,705.28	1,429.72
Female Activities	19,385.00	19,385.00	19,316.98	68.02
Combined Activities	20,480.00	20,480.00	18,101.31	2,378.69
Contingencies	40,000.00	40,000.00		
Less Transferred		(12,100.28)		27,899.72
TOTAL EXPENDITURES	<u>1,424,000.00</u>	<u>1,424,000.00</u>	<u>1,331,469.94</u>	<u>92,530.06</u>
Excess of Revenue Over (Under) Expenditures	(97,000.00)	(97,000.00)	8,492.61	105,492.61
Other Financing Sources:				
Transfers In			3,695.00	3,695.00
Net Change In Fund Balances	(97,000.00)	(97,000.00)	12,187.61	109,187.61
FUND BALANCE-BEGINNING	<u>415,912.56</u>	<u>415,912.56</u>	<u>415,912.56</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 318,912.56</u>	<u>\$ 318,912.56</u>	<u>\$ 428,100.17</u>	<u>\$ 109,187.61</u>

**REQUIRED SUPPLEMENTARY INFORMATION
LANGFORD SCHOOL DISTRICT NO 45-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 185,000.00	\$ 185,000.00	\$ 191,549.74	\$ 6,549.74
Prior Years' Ad Valorem Taxes			2,615.68	2,615.68
Penalties and Interest on Taxes			1,386.64	1,386.64
Earnings on Investments and Deposits			2,426.00	2,426.00
Other Revenue from Local Sources:				
Judgments			15,000.00	15,000.00
Other			88.74	88.74
Revenue in Lieu of Taxes			16.56	16.56
TOTAL REVENUE	<u>185,000.00</u>	<u>185,000.00</u>	<u>213,083.36</u>	<u>28,083.36</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary	20,000.00	20,000.00	13,717.70	6,282.30
High School	35,000.00	35,000.00	23,756.43	11,243.57
Support Services - Business:				
Facilities Acquisition and Construction	18,250.00	18,250.00	9,019.16	9,230.84
Operation and Maintenance of Plant	111,750.00	111,750.00	29,983.31	81,766.69
Pupil Transportation		52,759.00	52,759.00	0.00
TOTAL EXPENDITURES	<u>185,000.00</u>	<u>237,759.00</u>	<u>129,235.60</u>	<u>108,523.40</u>
Excess of Revenue Over (Under) Expenditures	0.00	(52,759.00)	83,847.76	136,606.76
Other Financing Sources:				
Transfers Out			(2,426.00)	(2,426.00)
Net Change In Fund Balances	0.00	(52,759.00)	81,421.76	134,180.76
FUND BALANCE-BEGINNING	<u>264,238.92</u>	<u>264,238.92</u>	<u>264,238.92</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 264,238.92</u>	<u>\$ 211,479.92</u>	<u>\$ 345,660.68</u>	<u>\$ 134,180.76</u>

**REQUIRED SUPPLEMENTARY INFORMATION
LANGFORD SCHOOL DISTRICT NO 45-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 81,000.00	\$ 81,000.00	\$ 83,460.09	\$ 2,460.09
Prior Years' Ad Valorem Taxes			1,297.94	1,297.94
Penalties and Interest on Taxes			673.72	673.72
Earnings on Investments and Deposits			901.00	901.00
Revenue in Lieu of Taxes			7.26	7.26
Revenue from Federal Sources:				
Grants in Aid:				
Restricted Grants-in-Aid Received from				
Federal Government through the State	22,000.00	22,000.00	31,227.75	9,227.75
TOTAL REVENUE	<u>103,000.00</u>	<u>103,000.00</u>	<u>117,567.76</u>	<u>14,567.76</u>
EXPENDITURES:				
Special Programs:				
Programs for Special Education	89,500.00	99,558.13	98,458.13	1,100.00
Support Services - Pupils:				
Speech Pathology	17,000.00	17,000.00	15,320.62	1,679.38
TOTAL EXPENDITURES	<u>106,500.00</u>	<u>116,558.13</u>	<u>113,778.75</u>	<u>2,779.38</u>
Excess of Revenue Over (Under) Expenditures	(3,500.00)	(13,558.13)	3,789.01	17,347.14
Other Financing Sources:				
Transfers Out			(901.00)	(901.00)
Net Change In Fund Balances	(3,500.00)	(13,558.13)	2,888.01	16,446.14
FUND BALANCE-BEGINNING	<u>104,245.71</u>	<u>104,245.71</u>	<u>104,245.71</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 100,745.71</u>	<u>\$ 90,687.58</u>	<u>\$ 107,133.72</u>	<u>\$ 16,446.14</u>

REQUIRED SUPPLEMENTARY INFORMATION
LANGFORD SCHOOL DISTRICT NO. 45-2
BUDGETARY COMPARISON SCHEDULE
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 32,000.00	\$ 32,000.00	\$ 32,241.89	\$ 241.89
Prior Years' Ad Valorem Taxes			465.89	465.89
Penalties and Interest on Taxes			239.44	239.44
Earnings on Investments and Deposits			368.00	368.00
Revenue in Lieu of Taxes			2.76	2.76
TOTAL REVENUE	<u>32,000.00</u>	<u>32,000.00</u>	<u>33,317.98</u>	<u>1,317.98</u>
EXPENDITURES:				
Nonprogrammed Charges:				
Early Retirement Payments	32,000.00	32,000.00	21,978.55	10,021.45
TOTAL EXPENDITURES	<u>32,000.00</u>	<u>32,000.00</u>	<u>21,978.55</u>	<u>10,021.45</u>
Excess of Revenue Over (Under) Expenditures	0.00	0.00	11,339.43	11,339.43
Other Financing Sources:				
Transfers Out			(368.00)	(368.00)
Net Change in Fund Balances	0.00	0.00	10,971.43	10,971.43
FUND BALANCE-BEGINNING	<u>51,621.24</u>	<u>51,621.24</u>	<u>51,621.24</u>	<u>0.00</u>
FUND BALANCE-ENDING	<u>\$ 51,621.24</u>	<u>\$ 51,621.24</u>	<u>\$ 62,592.67</u>	<u>\$ 10,971.43</u>

LANGFORD SCHOOL DISTRICT NO. 45-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.
JUNE 30, 2005

1. Budgets and Budgetary Accounting:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.